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TRADERS GROUP LIMITED

President's Remarks to
Annual Meeting of Shareholders
April 28, 1969

You have all had an opportunity to read our 1968 Annual Report -- the design of which is somewhat more colorful than has been traditionally associated with us. A psychologist might say that this is a reflection of latent aggressive instincts coming to the fore in the corporation. While none of us can reverse the aging process, this need not prevent us from keeping our thinking and attitudes up-to-date. So if we look more spirited today than in the past, I am pleased to subscribe to it because we are more spirited!

Against the background of Canada's current over-riding problem of inflation, the information and figures contained in our 1968 Annual Report demonstrate clearly the strong progress the company is making in adjusting to the cost-price squeeze which has been affecting not only finance companies, but all businesses with increasing severity over the past three years. I think it is most significant that with only a relatively small increase in funds in use, we were able in 1968 to maintain the upward trend in corporate earnings established during the even more trying year of 1967.

In 1967, as you know, our earnings were 91 cents per common share, an increase of 23 per cent over the previous year. As

a consequence of increasing administrative efficiency and some re-allocation of available funds in the higher income producing portfolios, we were successful in 1968 in increasing earnings per common share to \$1.11, an increase of 22 per cent over 1967.

The dominant policy in Traders today is to concentrate on earnings stability and to achieve the standard of operating performance that will contribute most effectively to this objective. We see this as the most disciplined way of adjusting to inflationary trends in the economy and, in particular, to the continuing need to keep a rein on growth until we have a better idea of what we have to live with over the long term with respect to money costs. Although most shareholder comments on the report and the results contained therein have been complimentary, one female shareholder thought that the 1968 report was a pessimistic one. I disagree! It was intended to be a realistic report in the light of present day conditions. It is my belief that the future of this company is bright and that we have a dedicated group in management determined to move the company forward in all phases of its operations.

I am especially gratified today by the degree to which major lenders in Canada and United States are aware of the changes and attendant progress that has been going on in the company since 1966. I think this is best exemplified by our ability in the last six months to acquire three U.S. bank lines of credit and to sell to both U.S. and Canadian investors major long term issues.

In the past, it has not been customary for me at this time to review operational matters in any detail. However, I think it is appropriate this year to draw to your attention some of the details of the very fine performance that has been achieved by the people heading up our primary portfolios in the Finance Group. It is in these portfolios that the tempo of change in the company is most readily observed. It also becomes apparent that the new Traders organization that is evolving is an extension of highly responsible management in earlier years. Let me cite briefly three examples:

1. The company is deeply and successfully involved today in industrial financing, because eight years ago this was recognized as a growth market.
2. Five years ago the company acquired Interprovincial Building Credits, Ltd. to complement our growing range of financial services. Rather than attempt to completely integrate this company with Traders, the Homeplan Division has been allowed to develop its own market identity in keeping with its own service specialty.
3. The company's success over the years in the competitive auto financing field has built its name and good reputation in the marketplace. This has benefitted greatly the ability of other portfolios to grow at accelerated rates.

1968 saw the Finance Group move toward a more normal contribution to the consolidated results of the company in relation to funds in use. In 1966, the Finance Group contributed only 40 per cent of the consolidated net profit; in 1967, the contribution increased slightly to 45 per cent; and in 1968, achieved the more desirable level of 61 per cent.

Our largest portfolio of receivables continues to be the Consumer Financing Division which has approximately 75 per cent of its receivables in automobile paper. In 1968, this division achieved its best operating performance in recent years, with net operating profit on funds in use, after tax, up 22 per cent from \$874,000 in 1967 to \$1.1 million in 1968. Its gross income yields were up 7 per cent, branch operating expenses were reduced 8 per cent, and average profit contribution per branch office was up 27 per cent.

Our Personal Loan subsidiary, Trans Canada Credit Corporation, recorded its best growth year in its history as outstandings increased 24 per cent over 1967 to \$74.5 million in 1968. Expanded business volume in combination with further improvements in yields and cost controls, produced an after tax profit last year of \$888,000; compared with \$287,000 in 1967 -- an increase of \$601,000.

The Industrial Financing portfolio was down approximately 11 per cent from 1967 because of a reclassification and

transfer to the Consumer portfolio of certain Industrial truck outstandings, combined with a planned reduction in outstandings consistent with required portfolio mix of total corporate resources. This was counteracted by good performance in which the division's net profit on funds in use in 1968 was up nearly 27 per cent over 1967 and arrears, losses and branch expenses were held well below industry standards.

The Homeplan Division, which specializes in home improvements, vacation homes and rural home financing, showed further progress in 1968 as its net profit, after tax, increased 20 per cent from \$289,000 in 1967 to \$347,000 in 1968. I might point out that two marketing moves were initiated in this division -- one involving the name change of Interprovincial Building Credits, Ltd. to Traders Homeplan Limited, and the formation of Homeplan Realty Limited to enable the division to take mortgage security on major home improvements and to grant mortgages on a direct basis for rural and vacation homes.

In the Realty & Mortgage Division, the land development subsidiaries' net profit contribution last year increased for the fifth consecutive year, notwithstanding certain delays affecting some of the subdivisions now underway.

Aetna Factors Corporation Ltd. increased its volume of receivables in 1968 by nearly 19 per cent from \$113.9 million

in 1967 to \$135 million in 1968. Aetna's net profit, after tax, was nearly \$400,000, the highest ever recorded by the company.

The Insurance Group, as you have probably already noted, contributed 29 per cent of the total consolidated net income in 1968, compared to 44 per cent in 1967. This was due, in part, to an across-the-board reduction of automobile premium rates, as well as the year being a difficult one with respect to the high frequency and cost of claims.

The Industrial Group, of which Frankel Structural Steel Limited is the main operating company, ended the year with a better-than-forecast net profit after tax of \$545,325, or 10 per cent of consolidated results.

What is significant about our operating results is the degree to which we are now able to monitor, through the calendar year, divisional and corporate expenditure and profit performance against established or preset targets. I am very pleased with the improvements we are making in this whole area of financial analysis and planning.

I would like now to turn to the 1969 first quarter results. The figures I am about to give you are unaudited and are, of course, on a consolidated basis.

I am pleased to advise that the net profit available for common shares for the first quarter of 1969 is \$1,126,349 as

compared with \$946,020 as of March 31, 1968, an increase of \$180,329. On the 4,432,571 common shares outstanding at March 31, 1969, the amount earned per share was 25 cents as against 21 cents per share in the first quarter of 1968 on 4,420,091 shares -- an increase of 19 per cent.

At the annual meeting last year, I stated that "the increased net profit earned by the Finance Group in the first quarter of this year more than offset the lower earnings of the other two groups". This is also true for the first quarter of 1969.

The Insurance Group have continued to suffer substantial underwriting losses in the property and fire classes of business. During the winter months claims were also high in the automobile sector. I might say, however, that the contribution to consolidated net profit by the Insurance Group was slightly higher than was forecast for the quarter and is expected to continue in a satisfactory manner during the balance of the year.

The Industrial Group now consisting of Frankel Structural Steel Limited and Frankel Formwork Company made a very small contribution to the consolidated earnings for the first quarter of 1969. It is expected, from the heavy backlog of orders currently on the books of the two companies, that their profit contribution for the balance of the year will equal the earlier forecasts.

The Finance Group increased their contribution to

consolidated net earnings by 66 per cent in the first quarter of 1969 over the same quarter in 1968.

The outlook for the company in 1969 has altered little from our evaluation at the year end 1968. We see little improvement this year in the long term bond market, and until there is improvement we will expect only reasonable growth in most portfolios. While we expect to acquire additional funds for business expansion during the current year, they will be obtained on a prudent basis. We look for a satisfactory return in 1969 from all portfolios, and will continue to concentrate additional funds in the higher yield loans. As a result, I believe the company will continue to show a reasonable increase in per share earnings over the next three quarterly periods, carrying on the progressive trend of 1967 and 1968.

